




UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

MAR 25 2002

MEMORANDUM

TO: Susan B. Neuman
Assistant Secretary
Office of Elementary and Secondary Education

FROM: 
Thomas A. Carter
Assistant Inspector General for Audit

SUBJECT: FINAL AUDIT REPORT
*California Department of Education's Management Controls Over
Performance Data for Identifying Title I Schools for Improvement*
ED-OIG/A09-C0002

Attached is our subject report presenting our findings and recommendations resulting from our audit of the California Department of Education.

In accordance with the Department's Audit Resolution Directive, you have been designated as the action official responsible for the resolution of the findings and recommendations in this report.

If you have any questions, please contact Gloria Pilotti, Regional Inspector General for Audit, at (916) 930-2399.

Please refer to the above control number in all correspondence relating to this report.

Attachment

cc: Joseph Johnson, Director, Compensatory Education Programs, OESE
Delores Warner, Audit Liaison Officer, OESE



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

MAR 25 2002

ED-OIG/A09-C0002

Delaine Eastin
State Superintendent of Public Instruction
California Department of Education
721 Capitol Mall
Sacramento, California 95814

Dear Superintendent Eastin:

This is the Office of Inspector General's **Final Audit Report**, entitled *California Department of Education's Management Controls Over Performance Data for Identifying Title I Schools for Improvement*. The purpose of the audit was to determine whether the California Department of Education's (CDE's) management controls ensure that performance data for identifying Title I schools for improvement for school year 1999-2000 were reliable, valid, and timely. We found that CDE did not consider all Title I schools when identifying schools for improvement and could strengthen some of its controls to assure data reliability. CDE concurred with our findings and recommendations. A copy of CDE's comments is included as an attachment to this letter.

AUDIT RESULTS

CDE had a system in place to assess most schools' progress and identify Title I schools for improvement. We concluded that CDE's management controls for collecting performance data, determining schools' progress, and identifying schools for improvement reasonably ensured that the data were reliable and valid, except that—

- CDE did not consider all Title I schools when identifying schools for improvement.
- CDE could strengthen controls over performance data used to identify Title I schools for improvement to assure that the data are reliable.

We also concluded that CDE identified and notified its local educational agencies (LEAs) about their Title I schools identified for improvement in a timely manner. As disclosed in the OTHER MATTERS section, CDE did not submit its annual performance report to ED on time, which included data on schools identified for improvement.

Finding No. 1 – CDE Did Not Consider All Title I Schools When Identifying Schools for Improvement

Under Title I, LEAs must annually review the progress of each Title I school to determine whether the school is making adequate yearly progress. Schools that do not make adequate progress for two consecutive years are to be identified for improvement. In California, CDE measured schools' progress, identified Title I schools for improvement, and notified LEAs of their schools' improvement status for school year 1999-2000. Consistent with Title I, LEAs must take corrective actions with any school that continues to be low performing for three years following identification for improvement.

Under California's accountability system, some schools will be covered by an alternative accountability system that is separate from the State's main accountability system covering most traditional schools. When fully implemented in school year 2002-2003, the State's Alternative Accountability System is intended to measure student performance in both Title I and non-Title I schools that are very small, special education schools and centers, and alternative schools serving high-risk students.¹ Until the alternative system is fully implemented, CDE cannot determine whether these schools made adequate progress.

Since the alternative system was not fully implemented for school year 1999-2000, CDE could not determine whether all Title I schools made adequate yearly progress. We found that CDE did not consider the improvement status for 11 percent (543 of 4,868) of the Title I schools. Thus, the 1,281 schools that CDE had identified for improvement may not reflect all Title I schools in need of improvement. In addition, CDE did not fully meet ED's data quality standard² related to accurate description. In particular, Standard Two (Accurate Description) states that definitions and counts should be correct, which is partly defined as all instances of a phenomenon being counted and no instances being omitted. While CDE excluded some Title I schools by design, the State was out of compliance with Title I and will continue to be noncompliant until CDE fully implements the Alternative Accountability System and measures all schools' progress.

¹ About 20 percent of California's schools will be covered by the State's Alternative Accountability System. Very small schools are schools with fewer than 11 valid test scores.

² ED published *Data Quality Standards* in March 2000 to assist its internal managers as they collect, analyze, and report data about Federal programs, including Title I. We used these standards to evaluate CDE's management controls over data quality. The OIG has suggested that ED distribute the standards to states to help ensure that they provide reliable, valid, and timely performance data to ED for such programs as Title I (OIG Information Memorandum – State and Local No. 01-01, dated August 3, 2001, titled *State-Reported Data Used in Measuring Performance of Education Programs*). While ED has not distributed the standards to states, the *Data Quality Standards* are accessible on ED's Website.

Recommendations

The Assistant Secretary for Elementary and Secondary Education should—

- 1.1. Ensure that CDE fully implements its alternative accountability system and has in place appropriate management controls over the reliability, validity, and timeliness of performance data from that system.
- 1.2. Ensure that CDE includes all Title I schools in its review to identify schools for improvement.

CDE's Comments

CDE concurred with our findings and recommendations. CDE stated that its alternative accountability system for alternative schools and very small schools will be fully implemented by Fall 2002. The management controls on this system will be comparable to those used by the main accountability system and the data from the alternative system will be reliable and valid. In addition, CDE intends to review all schools receiving Title I funds in Fall 2002 and perform subsequent annual reviews to identify schools for program improvement.

Finding No. 2 – CDE Could Strengthen Controls Over Performance Data Used to Identify Title I Schools for Improvement to Assure that the Data Are Reliable

Under California's main accountability system, CDE established an Academic Performance Index (API) to measure schools' performance, set academic growth targets, and monitor progress over time. Schools that did not meet all their academic growth targets did not make adequate yearly progress. Using individual students' Spring 2000 test scores and demographic data provided by the test publisher, CDE calculated schools' API and developed the API Database for school year 1999-2000. The API Database reported whether schools met the schoolwide academic growth targets and the academic growth targets for each numerically significant ethnic and disadvantaged subgroup within the school. Our review of CDE's procedures for collecting data to calculate schools' API did not disclose any material weaknesses in its system for determining whether schools made adequate yearly progress.

To identify Title I schools for improvement, CDE used data from the API Database to determine whether or not Title I schools that were covered under the main accountability system made adequate yearly progress. Using LEAs' funding data to identify Title I schools and API data, CDE created a separate database, called the Program Improvement³ (PI) Database to maintain year-to-year academic performance data for all Title I schools. CDE used the PI Database to notify LEAs of their schools that were identified for improvement and when their schools exited improvement status.

Although CDE had management controls over its PI Database, our review of State procedures identified two control weaknesses that could affect the reliability of the performance data for

³ In California, Title I schools identified for improvement are called Program Improvement schools.

Title I schools identified for improvement. In particular, CDE did not fully meet ED's data quality standards related to reporting and editing because—

- CDE did not adequately document its process for identifying schools for improvement. CDE did not have written procedures for developing and annually updating the PI Database. According to Standard Six (Reporting) of ED's *Data Quality Standards*, full disclosure can be met, in part, by documenting the data collection processes. Without written procedures, there is little assurance that the PI Database will yield reliable data from year to year.
- CDE did not review the data for reliability. Neither supervisory nor other CDE staff reviewed schools identified for improvement in the PI Database to ensure that the data were reliable. Standard Three (Editing) of ED's *Data Quality Standards* states that data should be clean, which ED defines as the data being correct, internally consistent, and without mistakes. The absence of any review increases the risk of CDE reporting unreliable performance data.

CDE needs to ensure that performance data for identifying Title I schools for improvement are reliable so that LEAs and schools can take corrective action, where appropriate. In addition, CDE expects to use the data to report the number of schools identified for improvement in its annual report to ED.⁴ These data will enable ED to assess program results and fulfill its requirements to present reliable, valid, and timely annual performance information to Congress.

Recommendation

The Assistant Secretary for Elementary and Secondary Education should—

- 2.1. Ensure that CDE develops written procedures for creating and updating the PI Database. These procedures should include supervisory or analytical review of the data on schools identified for improvement to assure the data are reliable.

CDE's Comments

CDE concurred with the finding and recommendation. CDE stated that it has completed and implemented written procedures for reviewing the data on Title I schools to identify schools that continue to be in need of improvement, schools that meet the criteria for exiting improvement status, and new schools for improvement. The procedures include a review of the identification process by technical staff and management.

OTHER MATTERS

For school year 1999-2000, CDE completed its process of assessing schools' progress and identifying Title I schools for improvement in a timely manner, but it was about a month late in submitting its *Consolidated State Performance Report* to ED. According to CDE's State Title I

⁴ ED requires states to annually report the number of Title I schools identified for improvement by submitting the *Consolidated State Performance Report*.

Director, LEAs were not required to submit data that CDE used in its *Consolidated State Performance Report* until shortly before the report was due to ED. In addition, LEAs manually submitted their data, which were often inconsistent and took time to reconcile. Beginning in school year 2001-2002, however, LEAs submit their data to CDE electronically and must resolve any edit discrepancies prior to submission. CDE expects to submit its next *Consolidated State Performance Report* to ED on time.

BACKGROUND

The Title I, Part A program was enacted under the Elementary and Secondary Education Act (ESEA), as amended by the Improving America's Schools Act of 1994, Public Law 103-382.⁵ The 1994 reauthorization of the ESEA introduced standards-driven reform. Specifically, Title I services are to be linked to the same State content and performance standards that are expected of all children, and aligned assessments are to be used to measure students' progress toward meeting these standards. In addition, States must put in place a system of accountability designed to identify and assist schools that do not make adequate progress towards meeting the standards.

In California, CDE is responsible for implementing the statewide accountability system and administering the Title I, Part A program. For school year 1999-2000, California's Title I allocation was about \$940 million. At the time of our review, California was continuing to phase in its accountability system to conform with Title I accountability guidelines. For school year 1999-2000, CDE used the results of students' Stanford-9 test to determine whether traditional public schools made adequate yearly progress.

In March 2000, ED published its *Data Quality Standards* as an appendix to its *1999 Performance Reports and 2001 Plans*.⁶ For 1999-2000, ED had six data quality standards in place: (1) Validity—data adequately represent performance; (2) Accurate Description—definitions and counts are correct; (3) Editing—data are clean; (4) Calculation—the math is right; (5) Timeliness—data are recent; and (6) Reporting—full disclosure is made. For each standard, ED provided a definition, examples of conditions that meet or fail to meet the standard, and a Data Quality Checklist for use by primary data providers and secondary data managers.

In accordance with the Government Performance and Results Act of 1993 (GPRA), ED's *Interim FY 2000 Program Performance Report and Preliminary FY 2002 Program Plans* includes a performance indicator on Title I schools identified for improvement. Specifically, Indicator 3.4 states that an increasing percentage of schools identified for improvement will make sufficient progress to move out of school improvement status. At the present time, ED uses data from the National Longitudinal Survey of Schools to measure this indicator.

⁵ ESEA was reauthorized by the No Child Left Behind Act of 2001 on January 8, 2002.

⁶ Subsequent to the publication of the *1999 Performance Reports and 2001 [Annual] Plans* in March 2000, ED revised the *Data Quality Standards* by increasing the number of standards from six to eight. In March 2001, ED published the revised standards as *Draft Data Quality Standards* in its *2000 Performance Report and 2002 Annual Plans*. For the purpose of this audit, we used the March 2000 standards that were in effect during our audit period.

PURPOSE, SCOPE, AND METHODOLOGY

The purpose of the audit was to determine whether CDE's management controls ensure that performance data for identifying Title I schools for improvement are reliable, valid, and timely.⁷ Our examination covered the performance data from the Stanford-9 test that California administered in Spring 2000 for school year 1999-2000. Our audit focused on the reasonableness of CDE's procedures for collecting student demographic data and test scores to calculate API and procedures for identifying Title I schools for improvement. We did not review CDE's test publisher's procedures for distributing the test, collecting completed tests and demographic data from LEAs, scoring tests, and reporting test scores.

To accomplish our objective, we interviewed State officials and staff responsible for developing and implementing California's accountability system and its system for identifying Title I schools for improvement. We evaluated CDE's procedures to determine whether its management controls ensure that the data used for determining adequate yearly progress and for identifying schools for improvement are reliable, valid, and timely.

Since CDE depended on LEAs for test and demographic data, we selected one LEA to evaluate the reasonableness of its procedures. During school year 1999-2000, California had 20 LEAs that were unified school districts with both enrollment over 17,000 and at least one Title I school. We focused our review on unified school districts because their schools covered all the testing grades 2 through 11. To further narrow our universe to LEAs that had diverse student populations, we determined that 9 of the 20 LEAs had three or more ethnic subgroups that individually comprised at least 15 percent of student enrollment. From the nine LEAs, we randomly selected the Sacramento City Unified School District (SCUSD). We reviewed SCUSD's procedures and interviewed staff responsible for collecting and reporting performance data. From SCUSD's 43 Title I schools with API data, we randomly selected an elementary school, a middle school, and a high school, where we also interviewed school administrators and staff responsible for collecting and reporting performance data.

We relied on API data that CDE published on its Website. We limited our assessment to determining the reasonableness of CDE's procedures for calculating schools' API. In addition, we randomly selected 10 SCUSD schools and assessed the reasonableness of ethnicity data by comparing school ethnicity counts from the State's California Basic Educational Data System (CBEDS) to reports generated by SCUSD's automated student information system, and from CBEDS to the State's 1999-2000 API Growth Report. To confirm that student records were not lost when CDE staff used test data to calculate API, we also checked the aggregate student count in the API Database against test results that CDE published on its Website. Based on these assessments, we concluded that the data were sufficiently reliable to use in meeting our objective.

We performed our fieldwork at CDE and SCUSD offices in Sacramento, California, from July 2001 to January 2002. We held an exit briefing with CDE officials on January 18, 2002. Our

⁷ This audit was conducted as part of a joint project of the U.S. Comptroller General's Domestic Working Group to determine whether data used for the purpose of identifying Title I schools in need of improvement are reliable, valid, and timely. The participants in the joint effort are the ED-OIG, U.S. General Accounting Office, Texas State Auditor's Office, Pennsylvania Department of Auditor General, and Philadelphia City Controller's Office.

audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we assessed the system of management controls, policies, procedures, and practices applicable to CDE's process for collecting performance data to identify schools for improvement. Our assessment was performed to determine whether the processes used by CDE and the reviewed LEA provided a reasonable level of assurance that CDE used reliable data to identify schools for improvement. We could not evaluate management controls applicable to the State's Alternative Accountability System because the system was not fully implemented.

For the purpose of this report, we assessed and classified CDE's significant controls related to collecting and reporting performance data into the following categories—

- Calculation of API
- Identification of schools for improvement

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the management controls. However, our assessment disclosed management control weaknesses that could adversely affect CDE's ability to report to ED and its LEAs the schools identified for improvement. These weaknesses include exclusion of a subset of Title I schools when identifying schools for improvement, failure to document its process for identifying schools for improvement in the PI Database, and lack of review of data in the PI Database.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following ED official, who will consider them before taking final action on the audit:

Susan B. Neuman
Assistant Secretary
Office of Elementary and Secondary Education
U.S. Department of Education
Federal Building No. 6
400 Maryland Avenue, SW
Washington, D.C. 20202

Office of Management and Budget Circular A-50 directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (5 U.S.C § 552), reports issued to ED's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions under the Act.

Sincerely,

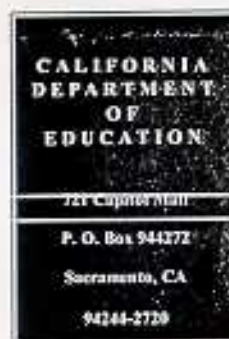
A handwritten signature in blue ink, appearing to read "Thomas A. Carter".

Thomas A. Carter
Assistant Inspector General for Audit

Attachment



DELAINE EASTIN
State Superintendent of Public Instruction



March 18, 2001

Gloria Pilotti
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
501 I Street, Suite 9-200
Sacramento, CA 95814

Audit No. A09-C0002

Dear Ms. Pilotti:

Thank you for the opportunity to review and comment on your draft audit report entitled *California Department of Education's (CDE) Management Controls Over Performance Data for Identifying Title I Schools for Improvement* (Audit No. A09-C0002).

A detailed report of the action taken to implement each of your audit recommendations is enclosed. If you have any questions about the corrective action taken by the CDE or the information in our response, please contact the CDE's Audit Response Coordinator, Glenn Ostapeck, at (916) 322-2288.

Sincerely,

SCOTT HILL
Chief Deputy Superintendent of Public Instruction

Enclosure

cc: Leslie Fausset, Chief Deputy Superintendent for Policy and Programs
Joanne Mendoza, Deputy Superintendent, Curriculum and Instructional Leadership
Branch
Hanna Walker, Director, Specialized Programs Division

CALIFORNIA DEPARTMENT OF EDUCATION

ACTION TAKEN TO IMPLEMENT RECOMMENDATIONS

ON U.S. DEPARTMENT OF EDUCATION REPORT NO. A09-C0002

Recommendation 1.1 – Ensure that CDE fully implements its alternative accountability system and has in place appropriate management controls over the reliability, validity, and timeliness of performance data from that system.

California Department of Education (CDE) Response: The CDE will fully implement the Alternative Accountability System by Fall 2002 for alternative schools and very small schools. In 2000-01, CDE provided alternative schools and very small schools a choice of several State Board of Education-approved indicators in order to document their progress in conjunction with STAR data. Local Educational Agencies (LEA's) selected the indicators, and the LEA's are collecting baseline data during this current school year. The data will be reported in the Academic Performance Report in Fall 2002.

CDE will apply the same management controls on this system that CDE utilizes for the regular Academic Performance Index System to ensure that the data will be reliable and valid.

The timelines for CDE implementation of this system align with the Timeline Waiver Section Number 4 (dated February 14, 2002) that the U. S. Department of Education approved on March 8, 2002.

Recommendation 1.2 - Ensure that CDE includes all Title I schools in its review to identify schools for improvement.

CDE Response: CDE will review all schools receiving Title I funds in Fall 2002, and will perform subsequent annual reviews to identify schools for program improvement.

Recommendation 2.1 - Ensure that CDE develops written procedures for creating and updating the PI Database. These procedures should include supervisory or analytical review of the data on schools identified for improvement to assure the data are reliable.

CDE Response: CDE has completed and implemented written procedures for reviewing the data on Title I schools to identify schools that continue to be included in Program Improvement, exit the schools that meet the criteria for two years of progress, and identify new schools for Program Improvement. CDE's written procedures include a review of the identification process by technical staff and management prior to public release of the report.

REPORT DISTRIBUTION LIST
ED-OIG/A09-C0002

Auditee

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Sacramento, California 95814

ED Action Official

Susan B. Neuman, Assistant Secretary
Office of Elementary and Secondary Education

Other ED Officials/Staff (electronic copy)

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Assistant General Counsel
Office of the General Counsel

Director, Compensatory Education Programs
Office of Elementary and Secondary Education

Deputy Secretary
Office of the Deputy Secretary

Assistant Secretary
Office of Legislation and Congressional Affairs

Chief of Staff
Office of the Secretary

Assistant Secretary
Office of Intergovernmental and Interagency Affairs

Under Secretary
Office of the Under Secretary

Director
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Office of the Chief Financial Officer

Director
Office of Public Affairs

Post Audit Group Supervisor
Financial Improvement and Post Audit Operations
Office of the Chief Financial Officer

Press Secretary
Office of Public Affairs

Indirect Cost Group Supervisor
Financial Improvement and Post Audit Operations
Office of the Chief Financial Officer

Correspondence Control
Office of General Counsel

Others

Superintendent
Sacramento City Unified School District